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UNCLAS SECTION 01 OF 02 ULAANBAATAR 000265

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SUBJECT: Is Mongolia's New Minister of Industry and Trade His Own Man or a Puppet?

Ref: Ulaanbaatar 085

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11. (SBU)SUMMARY: New Minister of Industry and Trade (MOIT) Ts. Davaadorj's low-key, if sometimes eccentric demeanor is a welcome relief compared to the sometimes disastrous tenure of the frenetic, flamboyant and feckless B. Jargalsaikhan, who reportedly spared no opportunity to exploit his position to enrich himself. Opinions vary widely as to whether Davaadorj will, at this very important time for Mongolia's mining industry, chart a responsible and conscientious course as minister, or will simply be a "mini-me," doing his former minister and master Jargalsaikhan's bidding. This cable provides background, context, initial gleanings and assessments of the new MOIT from embassy contacts, and provides a bio sketch (see final para). END SUMMARY.

"My Man at the Ministry"  
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12. (SBU) Davaadorj was selected by the Mongolian People's Revolutionary Party- (MPRP, the evolved successor to Mongolia's pre-1990's Communist party)-led government on April 20, filling the ministerial seat left vacant by B. Jargalsaikhan, who had been ousted by parliament at the end of January (reftel). Jargalsaikhan fought hard to have his fellow Republican Party politico installed in the job. Jargalsaikhan felt the ministry should remain with his Republican party per his agreement with the MPRP which gained his support of the coalition government formed in January 2006.

13. (SBU) Earlier this year the MPRP fired another coalition member as Minister of Health and replaced him with an MPRP MP, and then followed this up by expelling the former minister's party from the governing coalition. However, MPRP sources state that party leaders

were concerned that expelling Jargalsaikhan's Republican Party from the coalition might raise legal issues. This concern was premised on the fact that, of parliament's 76 MPs, all but 38 MPRP MPs and Jargalsaikhan are technically "independents," since they were elected in 2004 under the banner of the subsequently-dissolved opposition coalition. In addition, having Jargalsaikhan keep one foot in the coalition enabled the MPRP to pursue a "keep your enemies closer" strategy.

#### Deconstructing Davaadorj

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¶4. (SBU) While not explicitly associated with Jargalsaikhan's more outlandish and corrupt attempts to profit financially and politically from his ministerial position, Davaadorj is known to be loyal to his former minister. He also shares some of his former boss' ideas on the course that mining should take, including impractical plans to group all of Mongolia's coal assets into some sort of GOM-led mega consortium which would then attract scores of billions of investment dollars. for portioning out

¶5. (SBU) Since his appointment, Davaadorj has been working the press, opining that he is "no clone of Jargalsaikhan." "[He] and I were called two sides of the same coin, like appointing me is similar to appointing B. Jargalsaikhan." Davaadorj recently told the UB Post, "I want to stress ... everyone is different."

¶6. (SBU) Davaadorj's actual independence from Jargalsaikhan is as yet unclear. The opinions of foreign and domestic business communities range from concern that Davaadorj is nothing but Jargalsaikhan's puppet to statements that he will be an independent

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if somewhat eccentric voice on developing Mongolia's mineral resources. Mongolian commentators involved in coal mining projects told Commoff that they felt they could work with a Davaadorj administration and that the relationship between Jargalsaikhan and his replacement was not a slavish one, as some have portrayed it, but more that of an admiring personal friend, who is protective but not afraid to criticize the other and even take a different path when appropriate.

¶7. (SBU) Representatives of one U.S. company say they find Davaadorj eccentric in the extreme. They note he often uses principles of quantum physics to explain and justify specific coal policies involving the mining of over a billion metric tons a year. However, he seldom mentions the principle of market forces when talking about how Mongolian coal will be developed. The U.S. firms' reps describe their relations with Davaadorj as cordial and point out that he has stated an interest in an American firm helping Mongolia develop its coal resources.

¶8. (SBU) Representatives from Canadian gold miner Boroo Gold originally felt that Davaadorj was nothing more than ex-Minister Jargalsaikhan's "gofer," but later observed that when Minister Jargalsaikhan was absent, Davaadorj acted with some free will on their mining arrangements. They believe Minister Jargalsaikhan kept him out of most his "dirtier" dealings that involved soliciting bribes from some foreign companies. Boroo reps stated that he represented MIT and himself well in direct negotiations with Boroo in public and behind scenes and that, overall, he is a pretty good bureaucrat. Looking ahead, Boroo's reps suggest that although he is a political appointment to keep Jargalsaikhan happy, Davaadorj will try to be his own man in spite of relationship with Jargalsaikhan.

¶9. (SBU) Finally, a respected American CEO of a local bank told Commoff that he is concerned "that a political crony, with no national reputation or political stature, who by general opinion is an eccentric thinker and orator, has been put in this key job at a very important time solely because he is from Jargalsaikhan's Republican Party." He went on to say that, "At this very juncture for Mongolian in the mining world, with key deals on the table, this is not the guy to be out front for another year."

## Bio Notes:

10 (U) Davaadorj, born in 1960, has worked at MoIT under Jargalsaikhan since January 2006, first as an advisor then later as director of the Geology, Mining and Heavy Industry. Before that, he was involved in several Mongolian-German tourist-related business ventures. In 1982, Davaadorj obtained his undergraduate degree in International Relations and Economics from the Pedagogical University in Orel, Soviet Union and then in 1991 received his Master's Degree in Physics and Mathematics from the University of Massarik in Brno, Czech Republic. He has lectured at Ulaanbaatar's State Pedagogical University and was trainee at the Darmstad and Dresden University, Institute of Physics at the Max Planck Complex, Germany. He is Founder of the Mongolian Society on Nonlinear Science and, since 2005 as Vice President, of the Mongolian Bio-Physics Association. His English is good and his official bio notes he also speaks Russian, German, Czech, and Polish.

Goldbeck